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**GRAVITY DRAINAGE DISTRICT NO. 6
OF THE PARISH OF ST. MARY**

Amelia, Louisiana

Year Ended September 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/11/05

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gravity Drainage District No. 6 of the Parish of St. Mary
Amelia, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Gravity Drainage District No. 6 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 2004 which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 28, 2005 on our consideration of the District's compliance with laws and regulations and on its internal control over financial reporting. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information on page 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 28, 2005

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Net Assets
September 30, 2004

	<u>Governmental Activities</u>
 ASSETS	
Cash and interest-bearing deposits	\$ 18,934
Investments	256,821
Prepaid expenses	11,321
Capital assets, net	<u>1,260,562</u>
 TOTAL ASSETS	 <u>1,547,638</u>
 LIABILITIES	
Accounts, salaries, and other payables	<u>2,332</u>
 TOTAL LIABILITIES	 <u>2,332</u>
 NET ASSETS	
Invested in capital assets	1,260,562
Unrestricted	<u>284,744</u>
 TOTAL NET ASSETS	 <u>\$ 1,545,306</u>

The accompanying notes are an integral part of the financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Activities
Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:			
General government	\$ 224,423	375,750	\$ 151,327
Total governmental activities	<u>224,423</u>	<u>375,750</u>	<u>151,327</u>
General revenues:			
Taxes:			
Property taxes, levied for maintenance			189,447
Interest and investment earnings			<u>2,669</u>
Total general revenues			<u>192,116</u>
Change in net assets			343,443
Net assets - October 1, 2003			<u>1,201,863</u>
Net assets - September 30, 2004			<u>\$ 1,545,306</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

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MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet - Governmental Funds
September 30, 2004

	<u>General Fund</u>
ASSETS	
Assets:	
Cash and cash equivalents	\$ 18,934
Investments	<u>256,821</u>
Total assets	<u>\$ 275,755</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 2,332
Fund balance:	
Unreserved and undesignated	<u>273,423</u>
Total liabilities and fund balance	<u>\$ 275,755</u>

The accompanying notes are an integral part of the financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
September 30, 2004

Total fund balances for governmental funds at September 30, 2004 \$ 273,423

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of

Land	\$ 150,415	
Pumps and engines, net of \$180,084 accumulated depreciation	204,441	
Pump station improvements, net of \$209,369 accumulated depreciation	796,528	
Drainage improvements, net of \$181,804 accumulated depreciation	56,006	
Buildings, net of \$9,968. accumulated depreciation	22,088	
Construction in progress	<u>31,084</u>	1,260,562

Prepaid expenses used in governmental activities are not financial resources and therefore are not reported in the funds.

11,321

Net assets at September 30, 2004 \$ 1,545,306

The accompanying notes are an integral part of the financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2004

	<u>General Fund</u>
Revenues:	
Local Sources-	
Ad valorem taxes	\$ 189,447
Intergovernmental	375,750
Interest income	<u>2,669</u>
Total revenues	<u>567,866</u>
Expenditures:	
Current -	
General government	64,638
Repairs and maintenance	88,426
Professional Fees	4,000
Fuel and Utilities	21,003
Capital outlay	<u>517,194</u>
Total expenditures	<u>695,261</u>
Excess (deficiency) of revenues over expenditures	(127,395)
Fund balances, beginning	<u>400,818</u>
Fund balance, ending	<u>\$ 273,423</u>

The accompanying notes are an integral part of the financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2004

Total net changes in fund balance for the year ended September 30, 2004 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (127,395)
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The change in net assets reported for governmental activities in the
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 517,194	
Depreciation expense for the year ended September 30, 2004	<u>(49,304)</u>	467,890

Governmental activities report the changes in prepaid expense as an
increase or decrease in current general government expense.

Prior year prepaid expense	(8,373)	
Current year prepaid expense	<u>11,321</u>	<u>2,948</u>

Total changes in net assets for the year ended September 30, 2004 per Statement of Activities	<u>\$ 343,443</u>
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The accompanying notes are an integral part of the financial statements.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements

The Gravity Drainage District No. 6 of the Parish of St. Mary, was created and established pursuant to the provisions of an ordinance adopted by the St. Mary Parish Police Jury, in compliance with the provisions of Louisiana Revised Statutes. The District is managed by five board of commissioners as appointed by the St. Mary Parish Council. The District has full power and authority to drain lands in the district by construction, maintenance and operation of gravity and/or forced drainage facilities, including drains, drainage canals, ditches, pumps and pumping plants, dikes, levees and other related works.

(1) Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the Parish Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
- Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

Because the Parish Council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St. Mary Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments", issued in June 1999.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions."

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

Fund Financial Statements (FFS)

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The general fund of the District is considered to be the major fund and is described below:

Governmental Funds –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District's office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

C. Capital Assets

Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings, pump stations and improvements	20 – 40 years
Drainage system improvements	5 – 12 years
Equipment, pumps and engines	5 – 7 years
Land, canals, levees and construction in progress	Not depreciated

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payor or governing body.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

E. Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. The original budget was not amended during the current fiscal year; therefore, a comparison of amended budget to actual budget is not presented.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are made. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

F. Cash

Cash includes amounts in demand deposits and interest bearing demand deposits.

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

G. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond September 30, 2004 are recorded as prepaid items.

H. Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

J. Capitalized Interest

The District capitalizes interest costs and interest earned as part of the cost of constructing various projects when material. The District capitalized no interest for the year ended September 30, 2004.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

(2) Cash

At September 30, 2004, the District has cash (book balances) totaling \$18,934, as follows:

	Governmental Activities
Cash in demand deposits	<u>\$ 18,934</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2004, the District has \$26,359 in deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance.

(3) Investments

The District can invest in direct debt securities of the United States unless law expressly prohibits such an investment. The District's investments are categorized to give an indication of the level of risk assumed by it at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

In accordance with GASB Codification Section I50.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc.; a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and statewide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. *The fair value of the District's investment in LAMP is the same as the value of the pool shares.* For purposes of determining participants' shares, investments are valued at amortized cost. GASB Statement No. 31 requires that investments, that fall within the definitions of said statement, be recorded at fair value. However, Statement No. 31 also states that investments in an external investment pool can be reported at amortized cost if the external investment pool operates in a manner consistent with the Security Exchange Commission's (SEC's) Rule 2a7. LAMP is an external investment pool that operates in a manner consistent with SEC Rule 2a7.

At September 30, 2004, the District's investments totaled \$256,821 as follows:

	Governmental Activities
Louisiana Asset Management Pool	<u>\$ 256,821</u>

(4) Ad Valorem Taxes

The District's ad valorem tax is levied in November of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and an enforceable lien attaches to the property on January 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District receives most of the ad valorem taxes in January and February. For the year ended September 30, 2004, the District levied a property tax millage of 7.83 mills.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance 10/1/2003	Additions	Deletions	Balance 9/30/2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 150,415	\$ -	\$ -	\$ 150,415
Work in progress	346,273	13,584	(328,773)	31,084
Total capital assets, not being depreciated	<u>496,688</u>	<u>13,584</u>	<u>(328,773)</u>	<u>181,499</u>
Capital assets, being depreciated:				
Pumps and engines	282,875	\$ 101,650	\$ -	384,525
Pump station improvements	284,360	721,537	-	1,005,897
Drainage improvements	228,614	9,196	-	237,810
Buildings, equipment, other	32,056	-	-	32,056
Total capital assets, being depreciated	<u>827,905</u>	<u>832,383</u>	<u>-</u>	<u>1,660,288</u>
Total capital assets	<u>1,324,593</u>	<u>845,967</u>	<u>(328,773)</u>	<u>1,841,787</u>
Less: accumulated depreciation				
Pumps and engines	166,483	13,601	-	180,084
Pump station improvements	183,964	25,405	-	209,369
Drainage improvements	172,696	9,108	-	181,804
Buildings, equipment, other	8,778	1,190	-	9,968
Total	<u>531,921</u>	<u>49,304</u>	<u>-</u>	<u>581,225</u>
Net capital assets	<u>\$ 792,672</u>	<u>\$ 796,663</u>	<u>\$ (328,773)</u>	<u>\$ 1,260,562</u>

Depreciation expense in the amount of \$49,304 was charged to general government.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (Continued)

(6) Compensation Paid To Board Members

The schedule of compensation paid to the board of Commissioners for the period ended September 30, 2004:

<u>Name</u>	<u>Per Diem Received</u>
Leroy Breaux	\$1,625
Joseph D. Venable	1,690
Ronald Deshotel	1,365
Elmer Singleton, Jr.	1,625
Edward Thomas	<u>1,690</u>
 Total	 <u>\$7,995</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2004

	Budgeted Amounts <u>Original</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues:			
Ad valorem taxes	\$ 155,000	\$ 189,447	\$ 34,447
Grant-Parish Council	530,000	375,750	(154,250)
Interest income	<u>4,000</u>	<u>2,669</u>	<u>(1,331)</u>
Total revenues	<u>689,000</u>	<u>567,866</u>	<u>(121,134)</u>
Expenditures:			
Current -			
General government	71,750	64,638	7,112
Repairs and maintenance	37,000	88,426	(51,426)
Professional Fees	4,000	4,000	-
Utilities	35,000	21,003	13,997
Capital outlay	<u>555,000</u>	<u>517,194</u>	<u>37,806</u>
Total expenditures	<u>702,750</u>	<u>695,261</u>	<u>7,489</u>
Excess (deficiency) of revenues over expenditures	<u>(13,750)</u>	<u>(127,395)</u>	<u>(113,645)</u>
Fund balance, beginning	<u>400,818</u>	<u>400,818</u>	<u>-</u>
Fund balance, ending	<u>\$ 387,068</u>	<u>\$ 273,423</u>	<u>\$ (113,645)</u>

REQUIRED BY GOVERNMENT AUDITING STANDARDS

**COMPLIANCE
AND
INTERNAL CONTROL**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Commissioners
Gravity Drainage District No. 6 of the Parish of St. Mary
Amelia, Louisiana

We have audited the financial statements of the Gravity Drainage District No. 6 of the Parish of St. Mary for the year ended September 30, 2004, and have issued our report thereon dated March 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Gravity Drainage District No. 6 of the Parish of St. Mary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying corrective action plan for current year findings as Item 2004-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying corrective action plan for current year findings as Item 2004-1.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of management and is not intended to be and should not be used by anyone other than specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 28, 2005

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Summary Schedule of Audit Results
Year Ended September 30, 2004

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

A reportable condition in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness.

The audit disclosed an instance of noncompliance which is not material to the financial statements.

A management letter was not issued.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

(a) Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Summary Schedule of Audit Results (continued)
Year Ended September 30, 2004

(b) Budget variance

CONDITION Budget variances in excess of 5% were incurred.

CRITERIA LSA-RS 39:1310 et seq, Budgetary Authority and Control, provides for the following:

"A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

- (1) Revenue collection plus projected revenue collections for the remainder of the year, within a fund fail to meet estimated annual revenues by five percent or more.
- (2) Actual expenditures plus projected expenditures for the remainder of the year, within a fund are exceeding estimated budgeted expenditures by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures.

CAUSE The condition results from a failure to process, update and review general ledger transactions on a timely basis.

EFFECT The District may not prevent and/or detect compliance violations due to overexpenditure of the appropriated budget, and/or errors or irregularities on a timely basis.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2004

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken

Section I - Internal control and compliance material to the financial statements.

Compliance

No items were reported in this section.

Internal Control

2003 Lack of segregation of duties.

No

See corrective action plan for current year findings

Section Ia - Other Internal control and compliance

Compliance

No items were reported in this section.

Internal Control

No items were reported in this section.

Section II - Management letter

No items were reported in this section.

GRAVITY DRAINAGE DISTRICT NO.6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2004

Ref. No.	Description of Finding	Corrective Action Planned	Contact Person(s)	Anticipated Completion Date
<u>Section I - Internal control and compliance material to the financial statements.</u>				
<u>Compliance</u>				
No items are applicable to this section.				
<u>Internal Control</u>				
2004-2	Inadequate segregation of functions.	No corrective action is planned. Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Leroy Breaux, Chairman	N/A
<u>Section Ia - Other Internal control and compliance</u>				
<u>Compliance</u>				
2004-1	Budget variances in excess of 5% were incurred.	In the future, actual and projected revenues and expenditures will be monitored more closely to insure that the District's budget will be appropriately amended in a timely fashion.	Leroy Breaux, Chairman	Year ending September 30, 2005
<u>Internal Control</u>				
No items are applicable to this section.				
<u>Section II - Management letter</u>				
No items are applicable to this section.				